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UNCLAS SECTION 01 OF 03 ANKARA 003194

SIPDIS

SENSITIVE

TREASURY FOR MMILLS, CPLANTIER, AND RLEBENSON
FINCEN FOR MELANCON
NSC FOR BRYZA AND MCKIBBEN
H FOR SENATORS SHELBY AND CORNYN, AND REPRESENTATIVE CRAMER

E.O. 12958: N/A

TAGS: [KTFN](#) [EFIN](#) [PREL](#) [OVIP](#) [TU](#) [IZ](#)

SUBJECT: CODEL SHELBY FOCUSES ON TERROR FINANCE

REF: ANKARA 2916

This is a joint Embassy Ankara/Congen Istanbul cable.

This is an action request. See para 5.

[11.](#) (SBU) Summary: In its meetings in Turkey, Codel Shelby advanced the bilateral terrorism finance agenda, securing Turkish Ministers' agreement to sending U.S. terror finance experts to work with their Turkish counterparts. Minister of Finance Unakitan confirmed that the new law restructuring the Turkish financial crime agency was currently under consideration in parliament. Unakitan also sought U.S. help regarding an alleged counterfeit cigarette factory in Northern Iraq. End Summary.

Terrorism Finance:

[12.](#) (SBU) Senators Richard Shelby and John Cornyn, and Representative Bud Cramer, emphasized cooperation in the fight against the financing of terrorism in their meetings in Turkey. The Codel met Minister of Finance Kemal Unakitan and Minister of Justice Cemil Cicek, and in both cases pressed for close cooperation to cut off the flow of funds to terrorists. Both Cicek and Unakitan reciprocated the Codel's desire for close cooperation and were open to the Codel's proposal to send U.S. experts to meet with their Turkish counterparts. Unakitan said his instructions to agencies were to maximize information-sharing with the U.S. and other governments. Cicek was aware of the Department of Justice-sponsored seminar in December on prosecuting terror finance cases and viewed this kind of cooperation favorably.

[13.](#) (SBU) Minister Unakitan said that Turkey was working to strengthen its regime (see reftel on weaknesses of current regime), including through proposing a new law to restructure the anti-financial crime agency, MASAK. Unakitan confirmed that the draft law had been approved in the Council of Ministers and sent to parliament for consideration. He said that the MASAK law would make the financing of terrorism a crime, that it would allow MASAK expanded powers in investigations, and that there would be stiffer penalties for financial institutions--not only banks--that failed to file suspicious transaction reports. Unakitan said the law required reporting of all transactions exceeding 8,000 New Turkish Lira (\$5,900). MASAK would also expand its database of financial transactions. Unakitan was aware of Turkey's upcoming FATF review.

[14.](#) (SBU) When Representative Cramer asked how many terror finance cases were being prosecuted, Cicek said he was not aware of any. (Comment: We are not aware of any such cases. Terrorist financiers assets have been frozen in Turkey, and MFA officials have told us they are worried these financiers, legal appeals of the GOT,s administrative actions may overturn the blocking of their assets. Cicek did not mention this issue. End Comment.) Representative Cramer also asked Finance Minister Unakitan about the number of cases MASAK had successfully pursued and made the point that it was important not only to change laws, but to ensure effective enforcement of the laws.

[15.](#) (SBU) Cicek, characterizing terrorism as a crime against all humanity, said that Turkey suffered from three types: left-wing terrorism, religious-based terrorism, and ethnically-based terrorism, read PKK. Saying the PKK financed itself from drug and human trafficking, Cicek lamented European countries' unhelpfulness in cracking down on PKK financing coming from "charities" in Western European countries.

Counterfeit Cigarettes from Northern Iraq:

16. (SBU) Unakitan asked for U.S. help to counter what he described as a growing problem in Turkey: imports of counterfeit products from Northern Iraq, especially cigarettes. Unakitan asserted there was a factory in Northern Iraq, owned by a "cousin of Barzani's," which was producing counterfeits of international brands, such as those of Philip Morris. The cigarettes are smuggled into Turkey, causing substantial lost tax revenues. Unakitan said the GOT had raised the issue with Prime Minister Jafari and Finance Minister Allawi during their recent visit to Turkey. Unakitan praised Jafari and Allawi and said the GOT wanted to support them to help stabilize Iraq. Unakitan implied that Jafari and Allawi might not have the ability to take action against the counterfeit cigarette factory in Northern Iraq and suggested that the earnings from the factory could go to terrorist activity, i.e. PKK. Post requests any information Department and Embassy Baghdad might have on this issue, and recommends adding this topic to the agenda for trilateral talks.

Meeting with Foreign Minister:

17. (SBU) In all meetings, Senator Shelby emphasized his longstanding commitment to strong US-Turkish ties. Foreign Minister Gul agreed on the importance of the relationship, and acted as though he wished to downplay any differences. Representative Cramer urged Turkey to be cautious in its relations with Syria, noting that the U.S. and Turkey "had been through too much together." Citing Syria's proximity to Turkey and the 800-kilometer border, Gul said, "we need to bring them into the system and they will learn from us." Gul claimed that Turkish officials had warned Syria against extending the Lebanese President's mandate, and reiterated GOT claims that President Assad needed to be helped to combat "old guys who want to continue the old ways." Gul asserted that in the meeting of Iraq neighbors that Turkey hosted, Turkey had not allowed the Syrians to say certain things. Gul also thanked the U.S. for its support of Turkey's EU candidacy. Gul and Senator Shelby agreed on the need to attack the roots of terrorism by combating poverty and hopelessness.

Meeting with Central Bank Governor:

18. (SBU) Codel Shelby congratulated Governor Serdengecti on his success in combating inflation and agreed on the importance of central bank independence. When the Codel raised terror finance, Serdengecti said he understood the importance of the issue, but noted that the Finance Minister and the bank regulator, which is separate from the Central Bank, have the lead on this issue. When asked about privatization and the problem of state banks competing against private banks, Serdengecti was sympathetic, and pointed out that progress on state bank privatization was in Turkey's IMF program.

Istanbul Meetings:

19. (SBU) In Istanbul, Codel Shelby attended part of the Turkish-U.S. Business Council's 20th Year Conference, participated in a roundtable discussion with Turkish opinion leaders, met with the President and board members of the American Business Forum in Turkey (ABFT), and met with the President of the Istanbul Stock Exchange. In the roundtable discussion, the Turkish opinion leaders (all from outside the Government) urged the U.S. to take more action against the PKK in Iraq. The ABFT outlined problems and prospects in the business climate in Turkey.

Comment:

110. (SBU) Post is grateful for Codel Shelby's help in advancing the terrorism finance agenda which we have pushed at all levels. As refTel points out, both the legal and enforcement regimes are inadequate and senior officials have not made it a priority to fix them. The Codel's meetings, especially with Cicek and Unakitan helped, we hope, focus these senior ministers on the importance the U.S. Congress places on this subject. We look forward to

following up with Treasury Undersecretary Levey during his
visit
later this month.

Codel Shelby did not have the opportunity to clear this
message.

Baghdad Minimize considered.

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